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### Nakasone Unopposed for Second LDP Presidential Term

Prime Minister Yasuhiro Nakasone, overcoming political obstacles that a year ago threatened his ability to continue in office, will be unopposed in Liberal Democratic Party (LDP) presidential elections next month as his opponents found themselves unable to reconcile their differences and muster sufficient votes to oust the incumbent. Mr. Nakasone, who at one time faced the prospect of running against at least three other party members, was the only candidate registered as the October 29 filing deadline passed. This practically assures the prime minister a second term as party president and another two years as the head of the government.

Steamship Co., Ltd. will pair off in order to offer more flexible service without drastically changing sailing schedules. The agreements generally cover Japan-Pacific Southwest routes, leaving the carriers free to compete on other routes. This action has run into U.S. industry objections to the pooling and space-chartering provisions, which are off-limits to U.S. conferences. The Japanese have already submitted their proposal to the FMC and hope to inaugurate service at the start of next year.

The temporary FMC guidelines have attracted a tidal wave of foreign protests, mainly because of the agency's new retaliatory powers. Foreign transportation ministries, including Japan's, have strenuously objected to clauses extending the commission's oversight to intermodal services related to inland cargo transportation. Other battle lines have formed over the issue of retaliating against deferred rate rebates, which are illegal in the United States but generally accepted abroad. The situation is also complicated by the problem of possible FMC intervention against carriers associated (through conference membership) with violators, not just the violating carrier alone. Despite FMC assurances that it will not pursue a guilt-by-association concept, foreign conferences and governments want the language clarified.

U.S. conferences and shippers have deluged the FMC with comments. While generally supportive, the industry has found many a bone to pick among the huge pile of rules. One recurrent theme is that the temporary guidelines contravene Congress' intention to deregulate as many areas as possible. Reporting and record-keeping requirements are criticized as more comprehensive than the old shipping act. New detailed antitrust guidelines for carriers establishing conferences have also attracted industry broadsides. A fusillade of criticism that the clarifications increase antitrust uncertainty has shredded the FMC's sails and led to a skirmish with the Justice Department over jurisdiction.

So far, U.S. shippers and carriers have been slow to form new conferences and associations or to negotiate service contracts based on the new law. The FMC plans to issue final guidelines in mid-December. Until then, it seems likely that the commission will continue to encounter rough seas, and domestic and foreign industries will inevitably be tossed about.

Jon Choy

#### Energy Consumption in Japan Rebounds

According to the Ministry of International Trade and Industry (MITI), Japan's total energy supply rose 6.6 percent in FY 1983 (ended March 31, 1984). Domestic energy demand also increased, expanding 5.3 percent. The strong increases end a three-year decline in both energy supply and demand, but both are still below FY 1980 levels.

Aggregate supply and demand data for the last five fiscal years (see Table 1) clearly indicate the rebound. MITI calculations show that energy consumption per unit of gross national product (GNP) rose from 190 kiloliters (kl) of oil per Y100 million of GNP in FY 1982 to 195 kl in the last fiscal year. Analysts attribute the increase to the sharp economic upturn and a hike in industrial demand, combined with a cold winter and hot summer. The

breakdown of energy demand, presented in Table 2, underscores the role of higher industrial demand (up 4.2 percent), as well as the impact of strong consumer demand (rocketing 10.2 percent). It also shows that most of the increase in demand was for electricity (6.3 percent) and petroleum products (5.9 percent).

Table 3 lists the sources of Japan's energy supply. Strong gains were registered by natural gas and nuclear power (up 15.6 and 11.6 percent, respectively), new energy sources and oil advanced moderately, and coal usage was up marginally. On balance, therefore, natural gas and nuclear power gained ground at the expense of coal, while oil held steady at 61.9 percent of the total supply.

A source-by-source look at the FY 1983 supply picture reveals some interesting points.

- Steam coal use rose by 5.8 percent due to strong demand for electricity, and coking coal consumption started to show signs of life as the recovery absorbed more basic inputs such as steel. Domestic coal production, however, was off again, this time by 3 percent.

- The operating rate for nuclear power plants topped 71.5 percent, a new record and far above the FY 1982 performance of 67.6 percent. Over 20 percent of all electricity generation came from nuclear plants last year.

- Liquefied natural gas constituted more than 90 percent of the total natural gas supply, and demand for gas used in electricity generation or homes rose 16.3 percent.

- Hydroelectric power now accounts for about 15 percent of all generated electricity.

- Alternate energy sources achieved rapid growth in FY 1983, with geothermal energy rising 14.4 percent to the equivalent of 370,000 kl of oil, and solar power up 15.9 percent -- the equivalent of 600,000 kl of oil.

- The composition of petroleum imports changed somewhat, with slower purchases of liquefied petroleum gas offset by rising supplies of naphtha, a result of heavy demand by petrochemical makers.

As expected, MITI's figures confirmed the impact of the economic recovery on consumption. More interesting is the fact that the effects of conservation programs were also apparent. Alternate or more efficient energy sources are gaining, while oil's part in the total energy picture is at least being held constant. Lower prices for crude have certainly benefited Japan, but this is unlikely to affect the trend toward diversified energy sources.

Jon Choy

Table 1: Japan's Energy Supply and Demand, FY 1979-1984

(in millions of kiloliters crude oil equivalent)

|        | <u>FY 1979</u> | <u>FY 1980</u> | <u>FY 1981</u> | <u>FY 1982</u> | <u>FY 1983</u> |
|--------|----------------|----------------|----------------|----------------|----------------|
| Supply | 443            | 429<br>(-3.2%) | 416<br>(-3.1%) | 388<br>(-6.5%) | 414<br>(6.6%)  |
| Demand | 418            | 410<br>(-1.7%) | 394<br>(-3.9%) | 375<br>(-4.8%) | 395<br>(5.3%)  |

Table 2: Composition of Japan's Energy Demand, FY 1983

(in millions of kiloliters crude oil equivalent)

|                    | <u>Industry</u> | <u>Transportation</u> | <u>Households</u> | <u>Total</u>    |
|--------------------|-----------------|-----------------------|-------------------|-----------------|
| Total              | 226.9<br>(4.2%) | 64.8<br>(1.9%)        | 103.5<br>(10.2%)  | 395.1<br>(5.3%) |
| Coal               | 52.9<br>(0.4%)  | ---                   | 0.5<br>(---)      | 53.4<br>(0.4%)  |
| Petroleum Products | 84.1<br>(5.9%)  | 61.0<br>(2.1%)        | 35.9<br>(13.3%)   | 181.0<br>(5.9%) |
| Electricity        | 76.8<br>(4.9%)  | 3.5<br>(1.8%)         | 56.6<br>(8.4%)    | 136.9<br>(6.3%) |
| Propane            | 2.5<br>(8.7%)   | ---                   | 9.6<br>(8.8%)     | 12.1<br>(8.7%)  |
| Other              | 10.5<br>(6.0%)  | 0.3<br>(---)          | 0.9<br>(12.5%)    | 11.7<br>(5.4%)  |

Table 3: Composition of Japan's Energy Supply, FY 1983

(FY 1982 figures in parentheses)

|                                | <u>Actual<br/>Units</u> | <u>Crude Oil<br/>Equivalent<br/>(1,000 kl)</u> | <u>Change from<br/>Previous Year<br/>(in percent)</u> | <u>Share of<br/>Total<br/>(in percent)</u> |
|--------------------------------|-------------------------|------------------------------------------------|-------------------------------------------------------|--------------------------------------------|
| Total                          |                         | 414,000<br>(388,400)                           | 6.6%                                                  | 100.0%<br>(100.0)                          |
| Coal<br>(1,000 mt)             | 96,500<br>(94,500)      | 73,300<br>(72,000)                             | 1.8                                                   | 17.7<br>(18.5)                             |
| Nuclear<br>(1,000 kW)          | 18,400<br>(17,300)      | 29,800<br>(27,000)                             | 11.6                                                  | 7.2<br>(6.9)                               |
| Natural Gas<br>(1,000 kl)      | 31,200<br>(27,000)      | 31,200<br>(27,000)                             | 15.6                                                  | 7.5<br>(7.0)                               |
| Hydropower<br>(1,000 kW)       | 34,200<br>(33,400)      | 22,200<br>(21,000)                             | 5.7                                                   | 5.4<br>(5.4)                               |
| Alternate Energy<br>(1,000 kl) | 1,400<br>(1,300)        | 1,400<br>(1,300)                               | 7.7                                                   | 0.3<br>(0.3)                               |
| Petroleum<br>(1,000 kl)        | 256,100<br>(240,400)    | 256,100<br>(240,400)                           | 6.5                                                   | 61.9<br>(61.9)                             |

Source: Ministry of International Trade and Industry.